



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 11/4/2008

GAIN Report Number: CI8024

Chile

Avocado

Annual

2008

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Report Highlights:

Output and exports of avocados are not expected to recuperate fully this coming year, as a result of a vast area being affected by heavy frost during the 2007 winter.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Santiago [CI1]
[CI]

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Executive Summary

Although, Chilean avocado production will continue to increase in the coming years, as there are still a large number of orchards entering their most productive stage, this and next years output is forecasted to be much smaller than last season as heavy frosts during the 2007 winter affected large areas of production. Total area planted to avocados has increased significantly during the last few years, but industry sources indicated that the rate of increase in planted area is expected to level off. Excellent gains made in export markets in the past were the main reason for the significant increase in dedicated land use to avocados. But as prices are falling together with an expected increase in competition from Mexico in key export markets like the US, a slowdown in the planting expansion will occur.

Production

For MY2007 (Jan-Dec 2008) a significant smaller than both, last year and previously estimated avocado production is expected in spite of a large number of newly planted orchards come into production. As a result of CY2007 winter heavy and unexpected frosts which affected extensive plantings mainly in the northern part of Region V (Petorca and Aconcagua Valley) a significant fall in total production is expected. The frost will also affect the production of the coming year as not only fruit on the trees were affected; flower for the next year production were also heavily damaged. Avocado production is sensitive to climactic conditions, particularly to low temperatures during flowering and temperature changes. Weather largely accounted for production variations in the past.

Most Chilean avocados are produced in arid regions with little rain, except during the winter months, consequently most orchards are frequently free of pests and spraying is not necessary. Production area has expanded during the last few years. Increases in planted land have been almost exclusively devoted to the Hass variety, which represents over 75 percent of total production.

Planted Area

High prices and excellent economic returns obtained during the last 5 to 8 years were responsible for the huge expansions in planted area. Although, as prices of avocados fell during the last few years, industry sources indicated that the total area planted to avocados would not keep expanding as in the past. Additionally, they also stressed that the strong demand observed in the past in Chile's most important market, the United States, was expected to fall significantly once Mexican avocados gain access to all 50 States. Mexican avocados enter the US duty free.

A little over 98 percent of all Chilean commercial avocado trees are planted in the central area of the country - from Region IV through Region VI. The largest expansion in planting during the last few years has been in Region V, followed by the Metropolitan Region and Region IV. Although almost all of the expansion has been dedicated to the Hass variety, there are over 20 other varieties planted.

Consumption

Despite the recent increases in consumption, per capita domestic use is still considered to be fairly low for a producing country. To increase domestic consumption, the Chilean avocado producers association has a domestic promotional campaign that focuses on a nutrition and health message.

Table – Chile: Avocado Planted Area, Production and Exports			
Years	Planted Area (Ha)	Production (MT)	Exports (MT)
1973	4,490	14,500	-
1980	6,180	25,000	12
1985	7,605	28,900	1,200
1990	8,315	38,800	11,557
1995	11,560	48,000	12,000
1999	19,800	80,550	34,788
2000	21,202	95,000	52,049
2001	21,800	98,000	52,492
2002	22,900	129,000	78,071
2003	23,300	148,000	97,646
2004	24,500	170,000	113,508
2005	24,900	177,000	136,412
2006	26,731	185,000	110,893
2007	35,350	215,000	146,397
2008	39,300	168,000	100,000 1/
2009	39,600	210,000	141,00 2/
Note: 1/	Estimate		
2/	Forecasts		
Source: Ministry of Agriculture, Central Bank			

Trade

The US market received 76 percent of Chile's total avocado exports in 2007. However exports to the EU, mainly Spain, Netherlands and the United Kingdom have increased during the last few years. Although export volumes to the EU countries combined did not exceeded 10 percent during in the past, they increased significantly when compared to the previous year and are now over 20 percent of total exports. This is the result of a big industry effort made to diversify their markets. Additionally a strong Euro, contributed in increasing exports to the other destinations, in 2007.

As a result of the US-Chile FTA, Chile obtained a duty free quota of 49,000 M.T. beginning with CY2004. This quota increases 5 percent yearly over the next 12 years, after which avocados will enter the US duty free.

Chilean avocado exports are highly dependent on the U.S. market. The California Avocado Commission's promotional campaign will continue this year, which is financed through the Check Off program.

Policy

The Chilean Government has no subsidy or special tax incentives for avocado production or exports. Imports are charged a 6 percent uniform duty rate.

Market Development

Although avocados from California and Mexico can enter the Chilean market, this country's rather large, year-around avocado production and low domestic prices tend to discourage commercial imports for all but a few months during the marketing year. Every year there are some imports, which come mainly from Peru and are imported for the next to the border areas in the north of Chile.

Avocados, Fresh Chile	2006			2007			2008			
	2006/2007			2007/2008			2008/2009			
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan	
			Data			Data			Data	
Area Planted	27500	35350	35350	39300	39300	39300			39600	(HECTARES)
Area Harvested	22000	29890	29890	30900	30900	30900			32000	(HECTARES)
Bearing Trees	7172	9744	9744	10073	10073	10073			10432	(1000 TREES)
Non-Bearing Trees	1548	1121	1121	2006	2006	2006			1739	(1000 TREES)
Total No. Of Trees	8720	10865	10865	12079	12079	12079			12171	(1000 TREES)
Production	205000	215000	215000	190000	190000	168000			210000	(MT)
Imports	500	500	400	500	500	400			400	(MT)
Total Supply	205500	215500	215400	190500	190500	168400			210400	(MT)
Exports, Fresh	145000	142000	146397	128000	128000	100000			141000	(MT)
Fresh Dom. Consumption	60500	71300	67003	60300	60300	66400			67000	(MT)
For Processing	0	2200	2000	2200	2200	2000			2400	(MT)
Total Distribution	205500	215500	215400	190500	190500	168400			210400	(MT)

Export Trade Matrix			
Country	Chile		
Commodity	Avocados, Fresh		
Time Period	Jan-Dec	Units:	MT
Exports for:	2007		2008
U.S.	111228	U.S.	37316
Others		Others	
Netherlands	13263	Netherlands	2079
Spain	7414	Argentina	1719
U.K.	7062	U.K.	1239
Argentina	3232	Spain	1077
France	1182	Sweden	229
Sweden	998	France	192
Japan	521	Germany	42
Peru	403	Hong-Kong	21
Denmark	349	Uruguay	12
Canada	281		
Total for Others	34708		6610
Others not Listed	465		0
Grand Total	146397		43926
Note: CY2008 exports are for January through September only.			